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OUTLINE OF THE ESSENTIAL ELEMENTS OF FINANCIAL MANAGEMENT

There are three principal processes involved in financial management which for purposes of classification may be called:

- A. The Budget Process
- B. The Accounting and Disbursing Process
- C. The Audit Process

A. The Budget Process

The Budget should be considered as a part of the master strategic plan of the organization. It has a twofold purpose: (1) Financial Plan for a year; (2) Standard by which to measure accomplishments.

1. Its purpose is to:
 - a. Plan in advance for all possible factors and contingencies.
 - b. Insure considered planning before acting and acquire knowledge of operational objectives.
 - c. Coordinate the various parts and activities of the Agency.
 - d. Insure most effective use of resources with minimum cost.
2. Top Executive Review of the Budget is essential to insure:
 - a. Conformance with broad and basic plans.
 - b. Temper over-enthusiasm and set objectives within measurable accomplishments.
 - c. Restrain unwise expansion.
 - d. Add stimulus and push to lagging programs.
3. The Budget process may be divided into two principal parts:
 - a. Budget Preparation:

Involves the preparation of the Agency's annual budget request, and the defense of the request before the Bureau of the Budget and Congress.
 - b. Budget Execution involves:
 - (1) Allotment of funds to individual Agency projects, programs, and activities.
 - (2) Using current accounting data and related information to determine the effectiveness of the budget plan.
 - (3) Relating future allotments to performance and results.

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B. The Accounting and Disbursing Process

The Accounting and Disbursing Process may be divided into three principal parts:

1. The establishment and maintenance of a comprehensive system of financial accounts and reports.
2. The examination and recording of individual transactions affecting Agency funds and assets.
3. The acquisition, custody, and disbursement of funds.
 - a. The Accounting and Reports System involves the systematic accumulation and recording of all facts pertaining to the acquisition, obligation, expenditure or use of Agency funds or assets, and furnishing factual timely reports to various officials of the Agency which reflect the source, status or disposition of funds and assets.
 - b. The Examining and Recording function includes:
 - (1) Recording onto official books of record every transaction affecting Agency funds or assets.
 - (2) Examination of all obligation and expenditure documents to insure that they are regular as to form, are in accordance with established policy and regulations, and that the expenditure or obligation is for a necessary official purpose.
 - (3) Examine, reconcile, and record accountings and reports received from individuals, stations, and activities.
 - c. The Disbursing Function involves:
 - (1) The acquisition and exchange of U. S. and foreign currencies, and negotiable instruments required for Agency operations.
 - (2) Maintenance and custody of reserves of Agency funds, and the safe transport of funds to using points.
 - (3) The disbursement of funds for official purposes.

C. The Audit Process

1. The Audit Process involves the inspection and examination of all accounting and disbursing processes and systems, including a spot audit of individual financial transactions. It is a means of insuring compliance with financial principles, standards, and regulations, and of detecting dishonesty and insuring the integrity and fidelity of individuals.

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2. The Audit should bring out the following faults and recommend solutions:
 - a. Inefficient or insecure financial regulations, procedures and systems.
 - b. Illegal or improper financial practices or expenditures.
 - c. Excessive or improper financial privileges or benefits to individuals.
 - d. Dishonesty, indolence, and carelessness of individuals.
3. The Audit is therefore both a check upon the effectiveness of financial systems and regulations, and upon the integrity of individuals in their observance of such regulations.

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